



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 3/1/2005

**GAIN Report Number:** HK5006

## Hong Kong

### HRI Food Service Sector

### Annual

### 2005

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**Report Highlights:**

Hong Kong's HRI industry looks very promising in 2005. A revived economy with strong consumer spending sentiment and robust inbound tourism that's spearheaded by a major influx of mainland tourists will drive Hong Kong's restaurant and hotel growth in 2005. Starting to pick up in late 2003, restaurant receipts in 2004 rebounded over 10 percent, reaching \$6.8 billion. Tourist arrivals surged by 40.4 percent to 21.8 million in 2004, compared with a decline of 6.2 percent in 2003 caused by the SARS epidemic. Tourist expenditure on meals is estimated to be over \$1,090 million for 2004.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Hong Kong [HK1]  
[HK]

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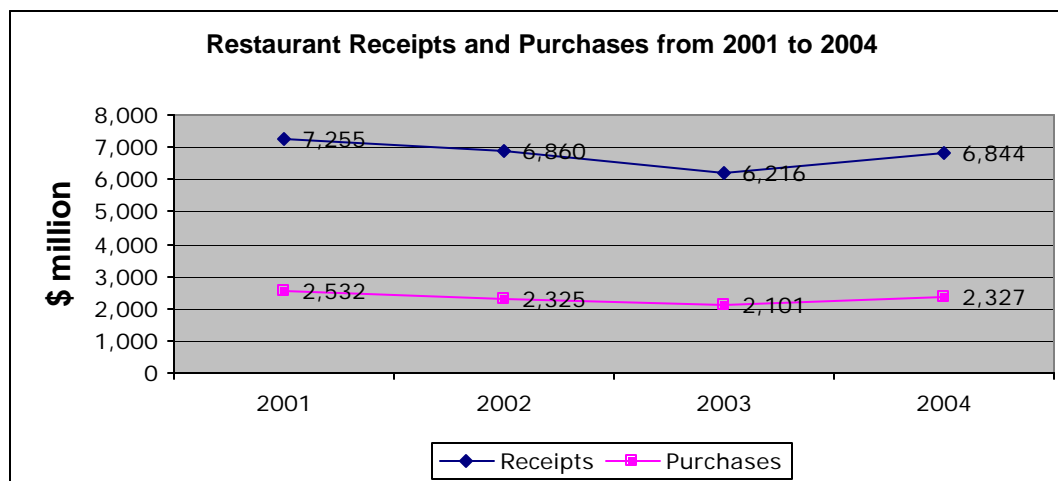
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## SECTION I. MARKET SUMMARY

## HRI Food Service Sector

## Restaurants

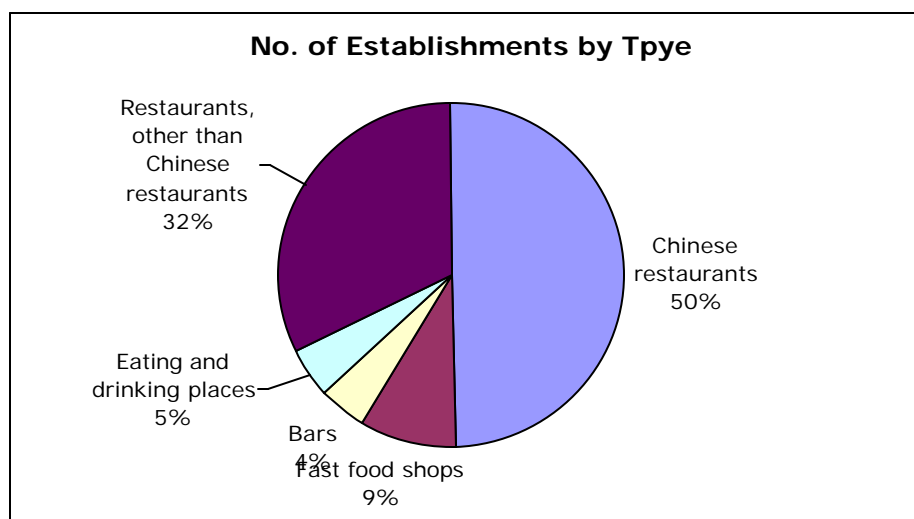
- A revived economy with burgeoning tourism, and rising stock and property markets have attributed to the good prospects of the catering industry for 2005. The HRI business is expected to have growth in 2005 with many positive economic indicators.
- Restaurant businesses in 2004 were greatly recovered from 2003 when Hong Kong severely suffered from the SARS impact. In 2004, the value of total receipts for the restaurants sector was \$6.8 billion and for purchases was \$2.3 billion, representing a rise of 10 percent and 11 percent respectively.



Source : Quarterly Restaurant Receipts and Purchases produced by the Hong Kong Census & Statistics Department

- Hong Kong is renowned as the “ Culinary Capital of Asia”. It has approximately 11,094 restaurants and other eating-places, providing a wide range of dining options. Eating out is a way of life for many locals.
- Chinese food, in particular Cantonese style foods tend to dominate the restaurant sector. This is evident in that Chinese restaurants account for nearly 50 percent of the 11,094 restaurants in Hong Kong.

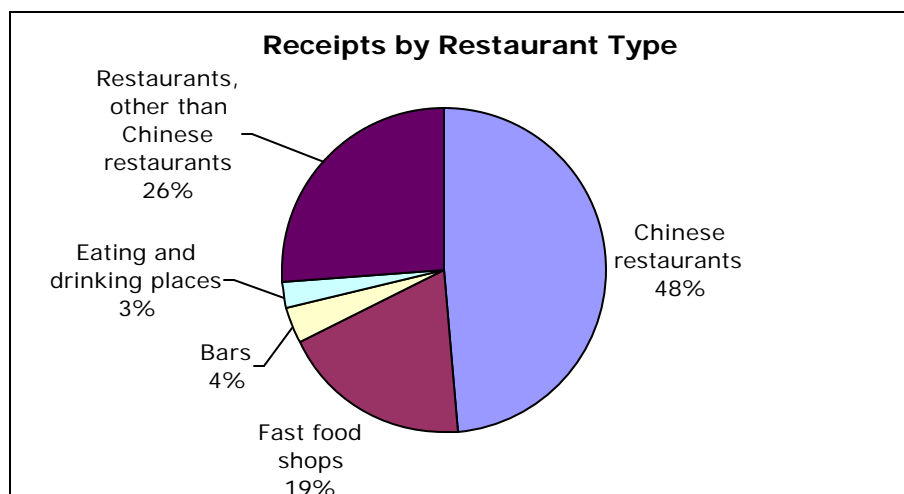
	No. of Establishments
Chinese restaurants	5,491
Restaurants, other than Chinese restaurants	3,590
Fast food shops	1,026
Bars	485
Eating and drinking places	502
Total	11,094



Source : Report on 2003 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels

Table: Number of establishments for various sales range : HK\$'000 (US\$1 = HK\$7.78)

	<999	1,000 – 4,999	5,000 – 9,999	10,000 – 19,999	20,000 – 49,000	> 50,000
Chinese restaurants	1,581	2,862	240	527	269	12
Restaurants, other than Chinese restaurants	521	1,869	1,161	4	21	14
Fast food shops	428	146	110	305	29	9

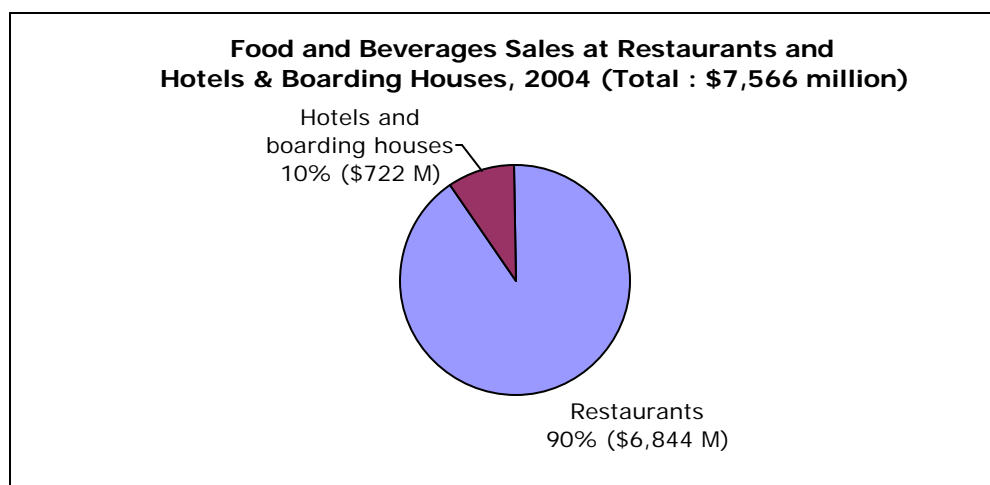


- The 30's generation of local Chinese have a greater propensity toward western style foods and are more likely to experiment with non-traditional styles. The growth of western chains in Japanese food, fast food, coffee and snack and casual dining establishments has been evident.

- McDonald's, Dominos, Pizza Hut, Kentucky Fried Chicken, Hardee's, Oliver, Pret A Manger, Starbucks, Pacific Coffee and others have all grown rapidly in numbers over the past years and now have become fixtures in the Hong Kong market. California Pizza Kitchen (CPK) was opened in Hong Kong in 2003.
- The fastest developing sector of the market is the fast food outlets. According to a survey conducted by AC Nielsen, Hong Kong people are the world's most frequent patrons of fast food restaurants. The survey revealed that 61 percent of people in the territory eat at a fast food restaurant at least once a week. The popularity of fast food in Hong Kong was mainly due to convenience. The survey showed that the most popular fast food chains in Hong Kong are McDonald, Kentucky and Pizza Hut.
- As consumers are getting more health conscious, fast food chains have provided more health food menu such as salads, premium juice drinks, etc.
- The major fast food operators, Café De Coral, Maxim's and Fairwood have innovated their menus by introducing numerous new ingredients as consumers become more demanding. These fast food operators are also renovating their older restaurants and adding "cyber corners" to give them a more upscale look, in order to create more value in patrons' minds. The average spending in fast food outlets is HK\$33.90 for dinner, HK\$25.50 for HK\$18.20 for breakfast and HK\$16.60 for afternoon tea. (U.S.\$1.00 = HK\$7.78)
- Another key feature of Hong Kong's HRI is the increasingly competitive coffee shop market in Hong Kong with new outlets opening around the city. In recent years, it is a trend to open upstairs cafes in order to cut rental fees. They are largely located in commercial areas. While westerners will stand up and drink a coffee, Chinese people in the Hong Kong market want to sit down and take their time over their sandwich or cup of coffee. Starbucks and Pacific Coffee are Hong Kong's two largest coffee shop chains. McDonald has also vigorously expanded its McCafe in order to take a slice of the market.

## Hotels

- There are 88 hotels and 542 boarding houses in Hong Kong with approximately 38,133 and 4,803 rooms respectively. The average occupancy rate is 88 percent, compared to 70 percent in 2003.
- In 2003, hotel and boarding houses receipts totaled \$1,535 billion and \$31 billion respectively. About 41.9 percent of receipts came from food and beverage sales i.e. \$656 million. The food and beverage sales at hotel and boarding houses for 2004 is estimated at \$722 million.



Note: food & beverage sales at hotels and boarding houses are provincial figures.

- Many five-star hotels serve exclusively U.S. beef, chicken, turkey, eggs, and a wide assortment of fruits and vegetables, which has clearly benefited the United States as a supplier. Out of the 88 hotels, about 17 classified as the “high tariff A hotels” with average room rate at \$130.
- The government provides a searchable list of licensed Hotels & Guest Houses at [www.info.gov.hk/had\\_la/](http://www.info.gov.hk/had_la/). A list of Hong Kong hotels is available at [http://www.discoverhongkong.com/eng/mustknow/search/mk\\_sear\\_resu.jsp](http://www.discoverhongkong.com/eng/mustknow/search/mk_sear_resu.jsp)
- The trend is that Hong Kong plans to build more hotels and boarding houses preparing for the opening of Disney in September 2005 and the continuing influx of tourists from Mainland China.

## Institutions

- Institution categories of significance include schools, hospitals, and airlines.
- The institutional catering sector is predominantly handled by a small number of large groups who are generally aligned with the restaurant sector.
- Primary and lower secondary students are not allowed to eat out. Students either pack their lunch boxes or subscribe to school lunch boxes. There are 785 primary schools and 501 secondary schools. The total number of primary students and lower secondary students amounted to 468,792 and 251,463 respectively.
- About 70 percent of students buy lunch at schools. The annual turnover is estimated at \$215 million.
- The typical lunch box consists of meat and rice. Healthy eating programs are underway to encourage a change in eating trends for schools. Caterers have to register with the Hong Kong Food and Environmental Hygiene Department (FEHD) before they are eligible to bid tenders provided by individual schools.
- ATO Hong Kong can provide U.S. exporters with the list of registered caterers for school lunch boxes.

- The Hospital Authority operates 43 hospitals with a total of 28,410 beds and 1,975,400 discharges and deaths annually. The catering service is by tender.
- There are three aircraft catering franchisees at the Hong Kong International Airport, each with a 15-year term, supplying more than 58,000 in-flight meals per day. The aircraft caterers provide a comprehensive range of flight catering services. These services include the preparation and assembly of flight meals, loading and unloading of food and other catering loads onto aircraft, and the storage of catering equipment and supplies.

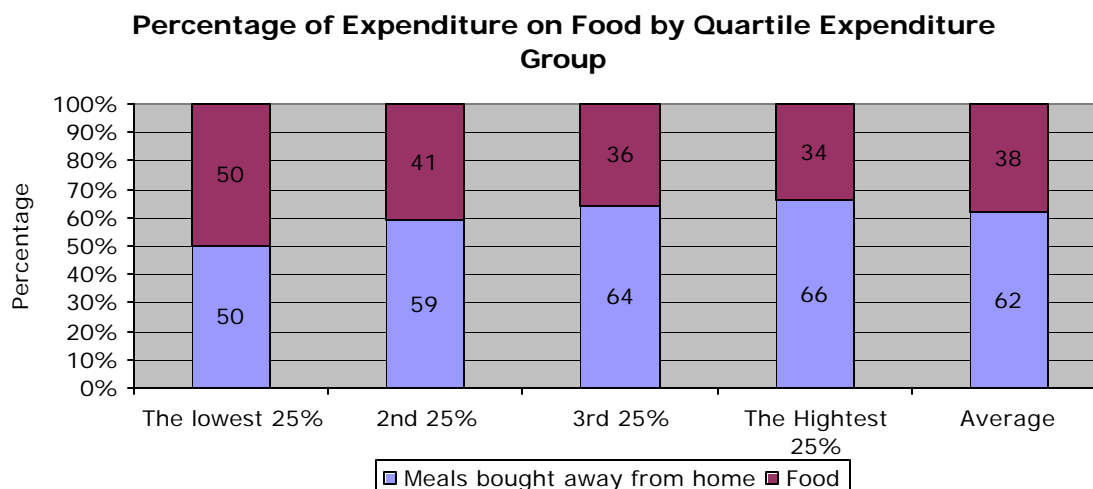
## Economy

- The forecast for 2004 GDP per capita is \$23,700
- The Hong Kong economy has exhibited a solid, broad-based upturn. In the first three quarters of 2004, real GDP rose by 8.7 percent from a year earlier amid robust performance of the external sector and an upsurge of consumer spending and investment. The official forecast of GDP growth is 7.5 percent for the whole of 2004.
- The unemployment rate stood at 6.4 percent in February 2005, compared to the height of 8.8 percent in July 2003.
- After 68 consecutive months of decline, consumer prices rose again since July 2004. For 2004 as a whole, consumer prices remained on a decline, on average down 0.4% from a year earlier.
- Consumer spending has posted solid growth amid stronger consumer sentiment and improving employment prospects. Retail sales grew by 10.8% in value in 2004.
- There has been a major turnaround of asset prices in Hong Kong amid a strong inflow of capital funds and the improving economy.
- The second phase of the Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA II) was concluded in August 2004, providing further liberalization measures on trade in goods and services on top of its first phase agreed in June 2003. Based on CEPA, Hong Kong products enjoy duty-free access to China. Also, Hong Kong services industry has better market access to China.
- Under CEPA's Individual Visit Scheme (IVS), Mainland Chinese can visit Hong Kong individually. Without this new measure, Mainland residents visiting Hong Kong for sightseeing purposes have to join a tour group. As end of 2004, over 5 million Mainland visitors came to Hong Kong under the IVS.

## Demographics

- The Hong Kong population was 6.9 million, representing an increase of 0.7 percent over 2003.
- 1.6 million women or 51.9 percent of the female population aged 15 or above participate in the workforce. The high female working force contributes to restaurant businesses.

- Based on Hong Kong government's latest Household Expenditure Survey 1999/2000 (conducted once every five year), the average monthly household expenditure amounted to \$2,802, 27 percent of which was spent on food and beverages.
- Hong Kong has a culture of eating out. On average, each household spends 62 percent of their food budget on eating out. The higher the income group, the higher is percentage of food expenditure spent on restaurants.



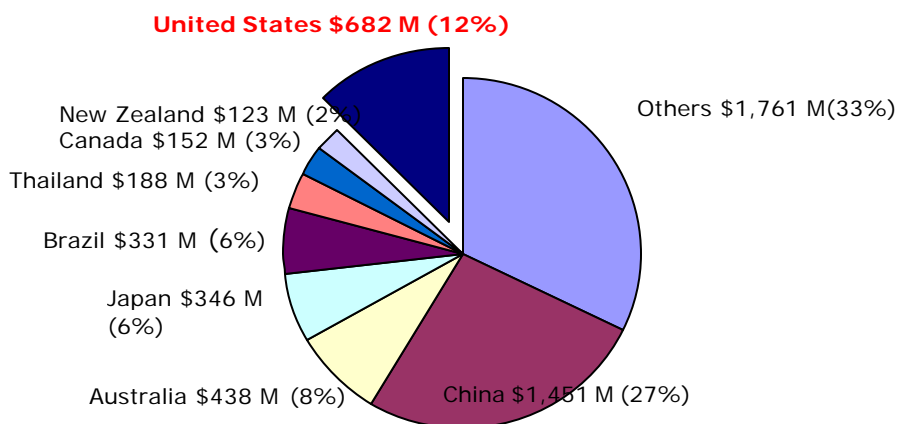
Source : Household Expenditure Survey

### Imported Food vs. Domestic Products

- Due to limited land resources and rapid urbanization, Hong Kong has to rely heavily on imports for its food supply. Local production contributed only 5 percent of fresh vegetables, 31 percent of live poultry, and 23 percent of live pigs. However, Hong Kong's total imports of consumer-oriented products and fish & seafood products amounted to US\$5 billion and US\$1.9 billion respectively in 2004. Though 23 percent of consumer-oriented products and 19 percent of seafood products were re-exported, a total of US\$5,472 million worth of these imported products were retained in Hong Kong for local consumption.
- Hong Kong is an important market for consumer-oriented American foods and ranks number eight in 2004 as a U.S. export destination for these products. Hong Kong imported over US\$824 million of consumer-oriented products from the United States in 2004 accounting for 16 percent of the import market share. (Hong Kong's ban on U.S. beef products since Dec 24, 2003 has lowered Hong Kong's position as an export market for U.S. consumer-oriented products. In 2003, Hong Kong ranked number five as a U.S. export market for consumer-oriented products with a total value of over \$1 billion – source: Hong Kong Census & Statistics Department. )



### HK's Retained Imports of Consumer-Oriented & Seafood Products in 2004 (Total:US\$5,472 M)



Source: World Trade Atlas – Hong Kong Census & Statistics Department

### Tourism

- Hong Kong's robust inbound tourism has contributed to Hong Kong's restaurant businesses. 2003 total expenditure of tourists on meals amounted to \$873 million or 14 percent of Hong Kong's total restaurant receipts. Based on 2003 figure, each tourist spent about \$56 on meals in Hong Kong.
- Tourist arrivals surged by 40.4% to 21.8 million in 2004, compared with a decline of 6.2% in 2003 caused by the SARS epidemic. Tourist expenditure on meals is estimated to be over \$1,090 million for 2004.
- With the Hong Kong government's focus on the tourist industry and the opening of Disney Land in Hong Kong in September 2005, the future looks bright.

### Import Regulations

- Food products can be imported to Hong Kong duty free except cigarettes and alcoholic drinks. As for technical import requirements, the basic tenet is that no food intended for sale should be unfit for human consumption. Products which require import permits/health certificates include meat, milk and frozen confections. The Hong Kong government accepts import applications from Hong Kong importers. In other words, local importers and not U.S. exporters are required to apply for import permits. U.S. exporters need to supply their agents/importers with necessary documentation such as health certificates from the U.S. government. Details refer to Gain Report #4018.
- At present, there is no labeling requirement for biotech foods. The Hong Kong government is considering adopting voluntary labeling and pre-market safety assessment for biotech foods but has set no timetable for implementation.
- The Hong Kong government also intends to implement a mandatory nutrition labeling system, which will start to run on a voluntary basis for a period of five to ten years. According to the proposal, all prepackaged foods will eventually be subject to nutrition

labeling. Details refer to Gain Report #3040. Drafting of the regulation has not yet started.

### Healthy Eating

- There is tendency for Hong Kong diners to eat fresh foods rather than processed, chilled, frozen etc. This is particularly the case for fish and to a lesser degree with other meats. U.S. companies should consider this in their marketing strategy.
- Hong Kong consumers have become increasingly aware of food safety and nutrition. These issues have been used successfully as marketing points for various food commodities and specific products.
- Organically grown foods have gained some interest. But these products are primarily limited to retail sales and are hardly found in HRI businesses.

Advantages	Challenges
World's freest economy (Economic Freedom of the World, 2004 Annual Report, published by the Cato Institute of the United States in conjunction with the Fraser Institute of Canada and some 50 other research institutes around the world). Consistent free trade and free enterprise policies. No import duty except on wine, liquor, cigarettes, hydrocarbon oils and methyl alcohol. Separate customs territory from Mainland China. No foreign exchange controls.	Severe competition between different supplying countries.
H.K. dollar pegged to the U.S. dollar, so U.S. products are not subject to price fluctuations based on exchange rates. A weak U.S. currency would make U.S. products more price attractive. (Can be a disadvantage when U.S. dollar is strong. Then products from other supplying countries become more price competitive compared to U.S. products.)	A very price sensitive market; importers' buying decisions depend largely on price.
Foreign and local businesses operate on a level playing field.	U.S. products are disadvantaged by a higher transport cost when compared with Australian and Chinese products.
As one of the most affluent economies in Asia, a market leader for new products.	Lack of trader and consumer awareness of U.S. foods. Traditional preference for European foods, due to previous ties with the U.K.
International city; residents travel frequently and are receptive to western and novel food.	
Sophisticated, reliable banking system.	
Due to geographical proximity and good	

understanding of Chinese culture, Hong Kong can help U.S. companies gain access to the China market after securing a foothold in Hong Kong.	
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## SECTION II. Road Map for Market Entry

### Entry Strategy

If U.S. restaurant chains or caterers want to establish a foothold in Hong Kong, they are allowed to incorporate freely. However, there are two market entry channels that U.S. companies may consider in their attempt to establish a presence in Hong Kong's HRI sector.

### Franchising

- The concept of franchising has been catching in Hong Kong for the past decade. The number of franchise operations in Hong Kong grew from 52 in 1992, to 130 in 2003. Nearly 80 percent of the franchise operations in Hong Kong are of U.S. origin. Home-grown franchises have also developed, especially in catering.

### Joint Ventures

- Joint ventures or strategic alliances can be very helpful in entering the market, and are particularly important in competing for major catering projects.

The Hong Kong government is very keen to attract foreign investment. The government department Invest Hong Kong is to help overseas companies to establish a presence in Hong Kong by providing all the support needed to establish and expand their operations ([www.investhk.gov.hk](http://www.investhk.gov.hk)).

Entering the Hong Kong market with products suitable for the HRI trade can be handled in a number of ways. Certainly the end customer, the hotel, restaurant, institution or caterer has an influence on the selection of products or ingredients but the choice is all very much guided by a network of reliable and trusted suppliers.

### Setting up a representative office

- To set up a representative office in Hong Kong is one of the most effective means that U.S. companies can use to sell their products to this market, but it is very costly.

### Through agents

- U.S. exporters may consider hiring a local agent. A key consideration is whether the prospective agent has a good marketing record and widespread distribution network. The advantage of having an agent is that it can help with marketing and distribution. Some companies may secure a very competitive price package with TV/magazine/radio for advertisements. In addition, well-established companies have extensive distribution networks not limited to the HRI sector but also to retail outlets.
- Importers and distributors tend to focus on specific categories of products and end markets. Research should be carried out to ensure the importer/distributor selected is appropriate for your products.

Very few hotels, restaurants or institutions import directly.

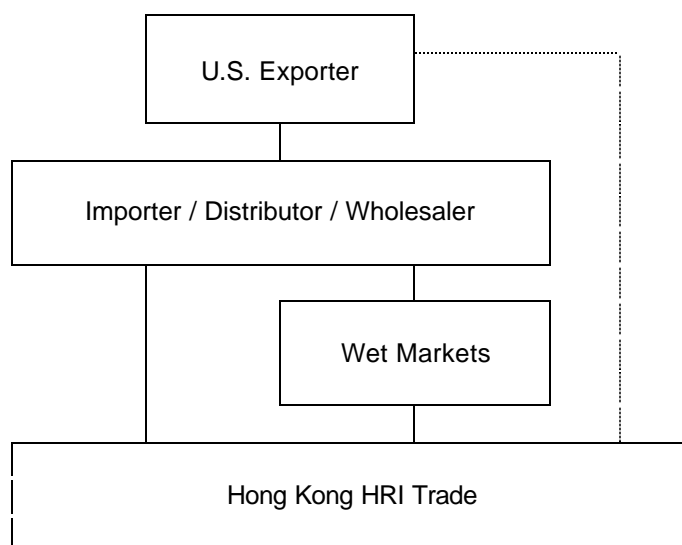
### Marketing Strategies

- Identify key players for the product/s - ATO Hong Kong can assist with identifying and introducing potential stakeholders from end consumers to importer/distributors, commodity cooperators and regional business groups.
- Determine suitability to market - some western foods are considered unsuitable for the taste preferences of Hong Kong consumers. Market testing maybe required prior to establishing a presence in the market. For more information, refer to GAIN Report #HK0056, "Hong Kong, Market Development Reports, Consumer Preferences for Western Foods in Hong Kong, 2000"  
[www.fas.usda.gov/gainfiles/200009/30678162.pdf](http://www.fas.usda.gov/gainfiles/200009/30678162.pdf)
- Communicate product benefits to end-users - although distributors maintain the relationships with their customers, the end users assert influence over the buying decisions. It is important to directly educate all stakeholders as to the features and benefits of your products.
- Participate in trade shows - Hong Kong has an excellent reputation of hosting international trade shows. Hofex and Restaurant & Bar are the most appropriate for vendors selling to the HRI industry in Hong Kong. In cooperation with cooperators and regional groups, the show will demonstrate the versatility and safety of U.S. food products.

HOFEX	<a href="http://www.hofex.com">www.hofex.com</a>	May 10 –13, 2005
Restaurant & Bar	<a href="http://www.restaurantandbarhk.com">www.restaurantandbarhk.com</a>	2006
Natural Products Expo Asia :	<a href="http://www.naturalproductsasia.com">http://www.naturalproductsasia.com</a>	November 30 - Dec 2, 2005

- Stage menu promotions with major restaurant chains - Menu promotion dollars will be maximized if spent on promotion events held with the major restaurant chains. With the restaurant chains' announced intention to have an image overhaul, this provides for an opportunity to introduce new U.S. foods.
- Invite restaurant owners/chefs to seminars and/or to the United States - ATO Hong Kong/ cooperators organize seminars and trade missions to the United States with an intention to introduce U.S. products, meet U.S. exporters, and experience U.S. store formats.

## Market Structure



- The market structure for Hong Kong typically involves a dedicated importer / distributor who deals with the U.S. exporter and maintains relationships with local resellers. Some special items are imported directly by large hotels, restaurant chains and institutions but most tend to outsource the import burden.
- Hong Kong is a mature trading port and as such has developed an effective network of importers, distributors and wholesalers that support the HRI trade.
- Most major importer / distributor service multiple reseller sectors including HRI / food service, retail and wet markets.
- ATO Hong Kong has a resourceful database of Hong Kong importers servicing the HRI trade. For information regarding specific category suppliers, the ATO Hong Kong can provide additional information.

## Sub-sector Profiles

### Hotels and Resorts

A list of hotels is available at

[http://www.discoverhongkong.com/eng/mustknow/search/mk\\_sear\\_resu.jsp](http://www.discoverhongkong.com/eng/mustknow/search/mk_sear_resu.jsp)

### Restaurants

- A list of restaurants is available at [http://www.discoverhongkong.com/eng/gourmet/search/gp\\_sear\\_resu.jsp](http://www.discoverhongkong.com/eng/gourmet/search/gp_sear_resu.jsp)
- Given below is a list of catering franchises in Hong Kong.

Ajisen-Ramen (catering - Japanese noodles restaurant)

Coffee Chateau (catering - retail of coffee and tea)  
 Cova (catering - Italian restaurant)  
 Double Rainbow (catering - retail of dairy products and ice cream)  
 Genki Sushi (catering - Japanese restaurant/takeaway)  
 Grappa's Ristorante (catering - Italian restaurant)  
 Haagen-Dazs (catering - ice cream and frozen desserts)  
 Hardee's (catering - fast food restaurant)  
 Hui Lau Shan (catering - herbal tea house and health food)  
 Hung Fook Tong (catering - herbal tea house)  
 Ipoh Sin Seng Fatt (catering - currie noodle)  
 Jollibee (catering – restaurant)  
 KFC (catering - fast food restaurant)  
 Kung Wo Tong (catering - herbal tea house)  
 Kung Wo Beancurd Products (catering - beancurd drinks and products)  
 Magic House Superstore Ltd (catering - ice cream and snacks)  
 McDonald's (catering - fast food restaurant)  
 Mini Melts (catering - ice cream)  
 Mrs. Fields Cookies (catering – bakery)  
 Peking Handmade Noodles Restaurant (catering - Noodles restaurant)  
 Pie & Tart Specialists (catering - pie and tart)  
 Pizza Box (catering - pizza delivery)  
[Pizza Hut Restaurants](#) (catering - restaurants)  
 Saint's Alp (catering – Taiwanese tea house)  
 Spaghetti House (catering – pizza house)  
 Tai Pan Bread & Cakes (catering - bakery)  
 TCBY, The Country's Best Yogurt (catering - frozen yogurt)  
 TGI Friday's (catering - restaurant)  
 Xian Zong Lin (catering - Taiwanese tea house)  
 Yoshinoya (catering - Japanese restaurant)

Source: Hong Kong Franchise Association

- A selection of restaurants

Company Name	Type of Food	Number of Outlets
Starbucks	Coffee & snacks	28
McDonalds	Fast Food - Burgers	118 + (26 McCafe)
Maxims	Chinese Restaurants / Chinese fast food / lunch boxes	306
Café de Coral	Chinese fast food / lunch boxes	134
Deli France	Bakery, Fast Food Sandwiches	44
Pacific Coffee	Coffee & Snacks	39
Pizza Hut	Pizza, local menu	60

Company Name	Type of Food	Number of Outlets
Outback Steakhouse	Australian / American style Steak House	3
Ruth's Chris Steakhouse	American Style Steak House	2
KFC	Fast Food - Chicken	51
TGI Fridays	American Style dining	1
Jollibee's	Fast Food, burgers, fries & rice based meals	2
Banana Leaf Holdings	Fast Foods, Malaysian, Thai	6 + Banana Leaf Catering
Tony Roma's	American Style dining	1
Dan Ryan's	American Style dining	3
Hard Rock Café	American Style dining	1
Hardee's	Fast Food - burgers, fries	11
Olivers Super Sandwich	Fast Food Sandwiches / Salads	11
Pret a Manger	Fast Food Sandwiches / Salads	7
The Mix	California Smoothies & Wraps	5
Ruby Tuesday's	American Style dining	3
Epicurean	International	17
Kenny Rogers Roasters	American style - chicken	1
Harilela Group	International	8
Elite Concepts	International	8
California Pizza Kitchen	American style pizza	2
Eclipse Management	International	7
Red Ant	Chinese	6
Igor's Group	International	6
Fairwood	Chinese Fast food	100
Spaghetti House	International	22
Steak Expert	Steak house	38
Jimmy's Kitchen	International	2

Company Name	Type of Food	Number of Outlets
Morton's of Chicago	American Steak House	1
Shooters 52	American food	2
Harlan's	International	1
Sushi Tei	Japanese Restaurants	6

### Institutional Catering Companies

- Hong Kong has 43 public hospitals and about 17 private hospitals. A full list can be obtained from the following website: [www.ha.org.hk](http://www.ha.org.hk)
- School information can be obtained from the following website: <http://www.emb.gov.hk/index.asp>

Type of Schools	No. of Schools
Primary Education	785
Secondary Education	501

- Cathay Pacific Catering – One of three companies with a 15-year lease at the Hong Kong International Airport, Cathay Pacific Catering is a subsidiary of Cathay Pacific Airways. CPC invested HK\$1.6 billion to build a 50,400 sq.m. flight kitchen, which was designed to operate with an initial daily meal throughput of 55,000 meals, to be expanded to 80,000 meals per day.



**SECTION III. COMPETITION**

Note: 2004 statistics; Market share based on Value

<b>Product Category</b>	<b>Major Supply Sources</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantages and Disadvantages of Local Suppliers</b>
<b>Breakfast Cereals &amp; Pancake Mix</b>  Imports \$29 million 12,470 MT  Retained Imports 11,013 MT	1. China – 46%  2. U.S. – 20%  3. Thailand – 10%	China is the largest supplier, imports include some international brands, which have manufacturing establishments in China.	Local production is insignificant.
<b>Red Meats, chilled/frozen</b>  Imports \$743 million 537,156 MT  Retained Imports 297,382 MT	1. Brazil – 29%  2. China – 22%  3. U.S. – 6%	Products from Brazil and China are price competitive, but they are of different market segments from U.S. products.  U.S. beef is largely on the high-end market.  Note: Hong Kong currently bans U.S. beef imports because of BSE. The market share of U.S. products in 2003 was 21%.	Local production is largely on freshly slaughtered meats.
<b>Red Meats, Prepared/preserved</b>  Imports \$220 million 127,169 MT  Retained Imports 103,370 MT	1. China – 47%  2. U.S. – 15%  3. Thailand – 11%	China supplies dominate the market because there is a big demand for price competitive prepared/preserved meatballs and other products typical in Chinese dishes in Chinese restaurants and processing in China is cost effective.  Note: U.S. beef products are banned because of BSE.	Local production is insignificant.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<b>Poultry</b>  Imports \$521 million 558,835 MT  Retained Imports 419,814 MT	1. Brazil - 33%  2. U.S. – 30%  3. China – 18%	Brazil became the largest supplier in 2004 because the Hong Kong government banned U.S. poultry imports between Feb. and April 2004 due to avian influenza cases. This measure severely impacted U.S. poultry imports to Hong Kong. U.S. products dominated the market in 2003 because of abundant supplies and a wide variety of grades.  Brazilian products are popular as they are price competitive but are relatively less in supplies.  Supplies from China mainly focus on chilled whole chicken.	Local production is on freshly slaughtered meats.
<b>Dairy Products</b>  Imports \$266 million 157,231 MT  Retained Imports 142,378 MT	1. Netherlands – 21%  2. China - 16%  3. New Zealand – 16%  U.S. – 3%	Netherlands is strong in dairy product supplies and its position has been well established in Hong Kong.	Local companies supply fresh milk drinks, which are processed in Hong Kong with milk originated from farmlands in the southern part of China.  Local companies can easily fulfill local milk registration requirements.
<b>Eggs</b>  Imports \$66 million 1,605 million eggs  Retained Imports 1,603 million eggs	1. China – 65%  2. U.S. - 17%  3. Germany – 11%	Eggs from China are of good quality and price competitive.  U.S. dominates the white egg markets.  German eggs are considered of very high quality but relatively expensive.	Local production is insignificant.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<b>Fresh Fruit</b>  Imports \$705 million 968,627 MT  Retained Imports 567,090 MT	1. U.S. – 31%  2. Thailand – 17%  3. Chile – 9%	U.S. fresh fruits are highly regarded as having good quality.  Thai Trade commissions in Hong Kong aggressively sponsor trade promotion activities.	No local production.
<b>Fresh Vegetables</b>  Imports \$158 million 596,452 MT  Retained Imports 590,201 MT	1. China – 73%  2. U.S. – 7%  3. Australia – 6%	Products from China are very price competitive. Due to expensive operation costs in Hong Kong, some farmers in Hong Kong move their operations to China and sell their products back to Hong Kong.  Australian products are advantaged over American products because of shorter freight time and lower transportation cost.  High-end restaurants and five-star hotels prefer to use high quality U.S. products. A lower U.S. dollar value helps U.S. exports to Hong Kong.	Local production is about 5 percent of total demand. Production costs, both in terms of land and labor, in Hong Kong are high. The Hong Kong government has encouraged organic farming so as to find the niche market for local vegetables.
<b>Processed Fruit &amp; Vegetables</b>  Imports \$245 million 201,513 MT  Retained Imports 161,673 MT	1. China - 36%  2. U.S. – 25%  3. Thailand – 6%	Supplies from China are price competitive. Besides, some international brands have operations in China and their exports to Hong Kong are considered as imports from China.  Products from the U.S. are more for the high-end market.	Local production is insignificant.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<b>Fruit &amp; Vegetable Juices</b>  Imports \$23 million 21,508 Kg  Retained Imports 20,280 Kg	1. U.S. – 36%  2. China – 12%  3. Australia – 10%	U.S. products are highly regarded in the local market.  Products from China include international brands manufactured in China.  Australian products are generally perceived as natural.	Local products is insignificant.
<b>Wine &amp; Beer</b>  Imports \$155 million 142,568 liter  Retained Imports 135,422 liter	1. France – 28%  2. China – 15%  3. S. Korea – 12%  U.S. – 10%	China and Korea are major suppliers for beer while France is the major supplier for wine. French wine is highly regarded in Hong Kong though expensive.  Hong Kong people are not very familiar with California wine.  Beer & liquor with less than 30% alcohol is subject to 40% tax and wine 80%.	Hong Kong does not have any wine production.  San Miguel is a popular local brand for beer. Locally produced beer is subject to the same tax rate as imports.

Source : World Trade Atlas

**SECTION IV. BEST PRODUCT PROSPECTS****Category A: Products Present in the Market which Have Good Sales Potential**

Note :

- 1 Hong Kong food supplies largely rely on imports. Domestic production is very minimal so the market size in the following table is equal to retained imports without taking into account local production.
- 2 Import tariff rate for all products in the table is zero except specifically stated.

<b>Product Category</b>	<b>2004 Total Imports</b>	<b>2004 Retained Imports</b>	<b>2000 – 2004 Average Annual Retained Import Growth</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
Chicken products	527,845,118 Kg	394,595,259 Kg	14%	Strong competition from Brazil.  Buyers are very price conscious.	U.S. products are highly regarded. Hong Kong imported \$484 million of chicken products from the world in 2004 and \$152 million of which came from the U.S.
Dairy Spreads (less than 39% milkfat)	41,203,845 Kg	34,897,062 Kg	-1%	There are not any significant competitor in the market.	There is great demand in the catering industry. The U.S. is the largest exporter in terms of value. Hong Kong imported \$141 million of dairy spreads from the world in 2004 and \$54 million of which came from the U.S.
Sauces, condiments and seasonings	38,271,026 Kg	18,253,350 Kg	-9%	Strong competition from key competitors such as Japan and China. The oriental favor of sauces from	Hong Kong people are receptive to new tastes. The availability of much international cuisine offers a demand for

Product Category	2004 Total Imports	2004 Retained Imports	2000 – 2004 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
				these countries is a distinct advantage. However, each supplying country has very unique products with different tastes.	U.S. sauces and seasonings. Hong Kong imported \$93 million of sauces and seasoning products from the world in 2004 and \$15 million of which came from the U.S.
Sausages	24,816,095 Kg	23,109,615 Kg	3%	China is the second largest supplier after the U.S. Products from China are relatively cheaper.	The catering industry is burgeoning and the market highly regards U.S. products. Hong Kong imported \$42 million of sausages from the world in 2004 and \$18 million of which came from the U.S.
French Fries	21,532,830 Kg	18,484,283 Kg	12%	The U.S. accounted for 90% of the market share. There are not any other significant competitors. Limited to use at western restaurants.	The catering industry is burgeoning and the market highly regards U.S. products. Hong Kong imported \$20 million of French fries from the world in 2004 and \$18 million of which came from the U.S.

Product Category	2004 Total Imports	2004 Retained Imports	2000 – 2004 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Molluscs	61,036,658 Kg	45,594,373 Kg	4%	Strong competition from Australia in terms of frozen scallop. Canada is also a key supplier of oyster to the Hong Kong market.	Demand for seafood in Hong Kong is strong. U.S. oysters and scallops are highly regarded in the market. In 2004, Hong Kong imported \$549 million of molluscs products from the world and only \$28 million of which came from the U.S.
Fresh Fruits	968,626,574 Kg	567,089,496 Kg	-3%	There is great demand for retail sales. There is still room for expansion in the HRI industry.	Hong Kong has a high regard for the quality of U.S. fresh fruits. In 2004, Hong Kong imported \$705 million of fresh fruits from the world and \$220 million of which imported from the U.S., which was the largest supplier for the Hong Kong market.

**B. Products Not Present in Significant Quantities but Which Have Good Sales Potential**

Product Category	2004 Total Imports	2004 Retained Imports	2000 – 2004 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Processed Sweet Corn	9,878,171 Kg	7,742,096 Kg	- 5 %	The U.S. accounted for 85% of the market share. Not widely used in Chinese restaurants.	The catering industry is burgeoning and the market highly regards U.S. products. Hong Kong imported \$9 million of processed sweet corn products from the world in 2004 and \$8 million of which came from the U.S.
Eggs	1,707,899 thousand	1,703,949 thousand	1 %	Growing competition from China and Germany	HRI has a high demand for U.S. white eggs. Hong Kong imported \$74 million of eggs from the world in 2004 and \$11 million of which came from the U.S.
Soup	17,745,933 Kg	15,945,722 Kg	2%	Strong competition from Australia. Australian products on average are more price competitive.	The U.S. is the second largest supplier. In 2004, Hong Kong imported \$30 million of soup products from the world and \$11 million of which came from the U.S.
Beer	129,093,822 liter	123,650,681 liter	2%	Consumers of beer tend to have brand loyalty and	Hong Kong people like beer and there are many bars and



Product Category	2004 Total Imports	2004 Retained Imports	2000 – 2004 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
				Hong Kong consumers are not very familiar with U.S. brands. Duty for beer is 40%	restaurants. In 2004, Hong Kong had an import market of \$76 million of beer and \$11 million came from the U.S.
Fruit & Vegetable Juices	21,507,944 Kg	20,280,318 Kg	6%	U.S. products are relatively expensive.	A burgeoning tourist industry and availability of many high-end restaurants lead to a constant demand for quality U.S. juices. Hong Kong imported a total of \$23 million of fruit and vegetable juices from the world and \$8 million of which came from the U.S.
Bread & Pastry	58,220,771 Kg	52,426,588 Kg	2%	Strong competition from China. Product development is required to meet local consumers' taste preference.	Hong Kong imported \$142 million of bread and pastry products from the world in 2004 and \$8 million of which came from the U.S.
Wine	13,473,717 liter	12,440,852 liter	8%	Local consumers in general are not familiar with U.S. French wine is relatively more popular. All wine is	In 2004, Hong Kong had a wine import market worth \$79 million and only \$5 million of which came from the U.S. There is room

Product Category	2004 Total Imports	2004 Retained Imports	2000 – 2004 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
				subject to 80% duty.	for market development.
Ice cream	7,891,690 Kg	7,891,690 Kg	5%	Expensive to launch marketing programs for new brands.	In 2004, Hong Kong imported \$19 million of ice cream from the world and \$3 million of which came from the U.S. Local consumers regard U.S. ice cream as premium products.

**C. Products not Present Because They Face Significant Barriers**

Hong Kong has suspended U.S. beef imports, including raw and cooked beef products, since December 24, 2003 because of the BSE case in the United States. Hong Kong catering industry is looking forward to buying U.S. beef products again.

**SECTION V. POST CONTACT AND FURTHER INFORMATION**

Foreign Agricultural Service (FAS)  
Home Page: <http://www.fas.usda.gov>

Agricultural Trade Office  
American Consulate General  
18<sup>th</sup> Floor, St. John's Building  
33 Garden Road, Hong Kong  
Tel: (852) 2841-2350  
Fax: (852) 2845-0943  
E-Mail: [ATOHongKong@usda.gov](mailto:ATOHongKong@usda.gov)  
Internet Homepage : <http://www.usconsulate.org.hk>  
<http://www.usfoods-hongkong.net>

Department to implement food safety control policy

Food & Environmental Hygiene Department  
43/F., Queensway Govt Offices  
66 Queensway  
Hong Kong  
Tel: 852-2868-0000  
Fax: 852-2834-8467  
Web site: <http://www.fehd.gov.hk>  
E-mail: [enquiries@fehd.gov.hk](mailto:enquiries@fehd.gov.hk)

Department to control the importation of plants & live animals

Agriculture, Fisheries & Conservation Department  
5-8/F., Cheung Sha Wan Govt Offices  
303, Cheung Sha Wan Rd  
Kowloon, Hong Kong  
Tel: 852-2708-8885  
Fax: 852-2311-3731  
Web site: <http://www.info.gov.hk/afcd>  
E-mail: [mailbox@afcd.gov.hk](mailto:mailbox@afcd.gov.hk)

Department to issue licence for imported reserved commodities

Trade & Industry Department  
18/F., Trade Department Tower  
700 Nathan Road  
Kowloon, Hong Kong  
Tel: 852-2392-2922  
Fax : 852-2789-2491  
Web site: <http://www.info.gov.hk/tid>  
Email : [enquiry@tid.gov.hk](mailto:enquiry@tid.gov.hk)

## Department to register health foods containing medicine ingredients

Department of Health  
Pharmaceuticals Registration  
Import & Export Control Section  
18<sup>th</sup> Floor, Wu Chung House  
213 Queen's Road East, Wanchai  
Hong Kong  
Tel : 852-2961-8754  
Fax : 852-2834-5117  
Web site : <http://www.info.gov.hk/dh/index.htm>

## Department to issue licence for imported dutiable commodities

Hong Kong Customs & Excise Department  
Office of Dutiable Commodities Administration  
6-9th floors, Harbor Building  
38 Pier Road  
Central  
Hong Kong  
Tel: 852-2815-7711  
Fax: 852-2581-0218  
Web site: <http://www.info.gov.hk/customs>  
Email : [customsenquiry@cutsoms.gov.hk](mailto:customsenquiry@cutsoms.gov.hk)

## Department for Trade Mark Registration

Intellectual Property Department  
Trade Marks Registry  
24th and 25th Floors, Wu Chung House  
213 Queen's Road East  
Wan Chai  
Hong Kong  
Tel : 852-2803-5860  
Fax : 852-2838-6082  
Web site : <http://www.info.gov.hk/ipd/eng/index.htm>

## Semi-government Organization Providing Travel Information

Hong Kong Tourist Association  
9<sup>th</sup> - 11<sup>th</sup> floors, Citicorp Center,  
18 Whitfield Road, North Point, Hong Kong  
Tel: (852) 2807-6543  
Fax: (852) 2806-0303  
E-mail: [info@hkta.org](mailto:info@hkta.org)  
Home Page: [www.hkta.org](http://www.hkta.org)

Semi-government Organization Providing Hong Kong Trade Information

Hong Kong Trade Development Council  
38<sup>th</sup> Floor, Office Tower, Convention Plaza  
1 Harbor Road, Wan Chai, Hong Kong  
Tel: (852) 2584-4188  
Fax: (852) 2824-0249  
E-mail: [hktdc@tdc.org.hk](mailto:hktdc@tdc.org.hk)  
Home Page: <http://www.tdctrade.com>